

FEB 24 1992

REPLY OF SOUTHWESTERN BELL TELEPHONE COMPANY

Table of Contents

<u>Subject</u>	<u>Page</u>
SUMMARY . . . . .	i
I. CEI PLAN STANDARDS . . . . .	3
II. FEDERAL TARIFFING REQUIREMENTS . . . . .	7
III. STATE TARIFFING REQUIREMENTS . . . . .	10
IV. INMATE SERVICES . . . . .	15
V. OPERATOR SERVICES . . . . .	19
VI. MISCELLANEOUS ISSUES . . . . .	23
A. Availability of SmartCoin Service. . . . .	23
B. Number Assignments. . . . .	24
C. Screening Codes. . . . .	25
D. PIC Selection. . . . .	29
E. Subscriber-Selected Call Rating. . . . .	30
F. Service Ordering, Installation and Maintenance. . . . .	31
VII. CONCLUSION . . . . .	32

### SUMMARY\*

SWBT's CEI plan satisfies all Computer III and ONA requirements, yet SWBT's opponents raise any number of irrelevant objections to delay SWBT's receipt of compensation from IXC's. The Commission must see these objections for what they are, approve SWBT's CEI plan as filed and allow SWBT to receive compensation by April 15, 1997, the day when SWBT will remove all subsidies from its payphone operations. If the Commission does not approve SWBT's CEI plan, SWBT cannot receive compensation on that date (when all subsidies are removed), and the continued viability of SWBT's payphone operations will be placed in jeopardy.

SWBT's CEI plan describes in detail the tariffed services which SWBT will offer to all payphone providers, including SWBT's payphone operations. SWBT will offer "SmartCoin" service, in which payphone functions are provided from a SWBT central office. This is the service which SWBT payphone operations will primarily utilize and is generally employed with so-called "dumb sets," payphones which do not contain functions within the set itself.

SWBT will also offer a so-called "COPT line" for use with payphones containing their own intelligence within the set--"smart

---

\* All abbreviations used herein are reference within the text.

sets." Most IPPs purchase COPT lines for interconnection to SWBT's network, because most independent payphones contain all necessary functions within the set.

The Commission requires that these two services be tariffed only in the states, and SWBT has complied. The Commission does not require that SWBT unbundle any elements of SmartCoin or COPT service unless SWBT offers such elements separately to its own payphone operations. SWBT does not offer separate elements to its payphone operations, so SWBT's state tariffs do not unbundle elements of SmartCoin and COPT service. APCC is thus in error when it claims that SWBT's CEI plan must be amended to show unbundling of payphone features in state tariffs.

APCC also complains about the cost methodology employed in SWBT's state tariffs. However, the Commission has made clear that state tariffing matters, including cost issues, will be decided by the states. APCC and SWBT's other opponents will have ample opportunity to contest these matters before state commissions.

While it is true that SWBT did make a mistake regarding the costs of Answer Supervision, the error has been corrected, and state tariffs have been amended--with an April 15, 1997, effective date. SWBT points this out to demonstrate its good faith and to rebut accusations that SWBT's pricing is somehow "unfair."

APCC is also wrong in claiming that SWBT's CEI plan must be amended to show an unbundling of payphone functionalities in SWBT's federal tariff. The Commission has expressly not required SmartCoin and COPT service to be federally tarified. Only a few, highly selective "basic network services or unbundled features" must be federally tarified, and SWBT's CEI plan demonstrates that SWBT has complied with this requirement.

The ICSPC complains that SWBT's CEI plan does not mention inmate services. This is incorrect. SWBT's plan specifically references inmate phones, as does the 1996 Telecommunications Act, the First Report and Order, and the Reconsideration Order. SWBT's payphone operations, in providing inmate services, will purchase from SWBT the same tarified services, at the same rates, as all other ICS providers. SWBT's inmate payphone operations do not use any network-based inmate call control and call processing functions. Thus, consistent with the Commission's requirements, SWBT will not offer such inmate services to other providers.

The Commission has expressly refused to require LECs to provide intrastate dialing parity for payphones before the provision of dialing parity for all phones in general. Thus, SWBT is consistent with Commission orders in defaulting all intraLATA payphone toll traffic--on SmartCoin service--to SWBT's operator

services. Similarly, the Commission has not required SWBT to provide measured service for local calls.

SWBT is also in full compliance with the Commission requirement to provide originating line screening on COPT lines--for call tracking purposes--by uniquely identifying the line as a payphone through a LIDB response to IXCs. The Commission, by specific order, has allowed this.

SWBT will treat its payphone operations as it treats all other payphone providers. SWBT's payphone operations will place service orders (through SWBT's Vendor Resource Center) in the same fashion as all other payphone providers, will purchase service from the same tariffs at the same rates, and will not receive any subsidies of any nature. Section IV of SWBT's CEI plan, in fact, contains a section discussing how SWBT has removed all subsidies. Significantly, no one complained about SWBT's methods of subsidy removal.

SWBT's plan complies with the standards under which the Commission reviews all CEI plans. The Commission must approve SWBT's plan so that SWBT's payphone operations can begin collecting compensation from IXCs on April 15, 1997--the day all subsidies are removed.

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

RECEIVED

FEB 24 1997

SECRETARY OF COMMISSION

In the Matter of )  
)  
Southwestern Bell Telephone Company's ) CC Docket No. 96-128  
Comparably Efficient Interconnection )  
Plan for the Provision of Basic )  
Payphone Service )

**REPLY OF SOUTHWESTERN BELL TELEPHONE COMPANY**

Southwestern Bell Telephone Company's (SWBT) CEI Plan for Payphone Service Providers meets all Commission requirements, yet SWBT opponents raise any number of irrelevant objections in the hope of delaying SWBT's entry into the arena. The Commission must see these objections for what they are and allow SWBT to begin competing.

In the First Report and Order,<sup>1</sup> as modified by the Reconsideration Order,<sup>2</sup> the Commission adopted rules to implement Section 276 of the Telecommunications Act of 1996.<sup>3</sup> The new

---

<sup>1</sup> Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, CC Docket No. 96-128, First Report and Order, FCC 96-388 (released September 20, 1996).

<sup>2</sup> Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, CC Docket No. 96-128, Reconsideration Order, FCC 96-439 (released November 8, 1996).

<sup>3</sup> 47 U.S.C. §276.

federal law established full and vigorous competition in the payphone industry. All Payphone Service Providers (PSPs) are to compete under the same rules and conditions in a completely open market. The payphone operations of Bell Operating Companies (BOCs) can no longer be subsidized by basic telephone revenues. Once the subsidies are removed, however, BOC payphones are entitled to the same compensation from interexchange carriers (IXCs) as independent payphones. This is the crux of the new Act--removal of subsidies leads to full compensation.

SWBT has two major opponents in this docket: independent payphone providers (IPPs) and IXCs. Under Commission rules, IXCs are required to pay compensation, both interim and permanent, to SWBT payphone operations once SWBT has removed subsidies. The date for removing subsidies and receiving payment of interim compensation is April 15, 1997. Because SWBT will have removed all payphone subsidies by that date, SWBT's payphone operations will lose money, and their continued financial viability will be in doubt, unless those operations begin receiving interim compensation on that same date.

Before SWBT can receive compensation, the Commission must approve SWBT's CEI plan. It is thus easy to see why only IPPs and IXCs oppose SWBT's plan. IXCs do not want to pay the compensation



which will follow approval of the plan, and IPPs do not want to face SWBT competition. Their motive in filing oppositions is to delay SWBT's entry into the competitive payphone market and, if successful, ensure financial losses to a competitor--SWBT.

In reviewing the objections to SWBT's CEI plan, the Commission must keep in mind that SWBT has removed all payphone subsidies from its tariffs, effective April 15. If SWBT payphone operations do not start receiving compensation on that date, those operations will suffer irreparable financial losses, even if SWBT's plan is ultimately approved.

#### I. CEI PLAN STANDARDS

To ensure that BOC payphone operations do not discriminate against IPPs, the Commission required the BOCs either to create a structurally separate subsidiary for payphone operations or else to meet the nonstructural safeguards standard originally adopted for integrated enhanced service operations in the Computer III<sup>4</sup> and ONA<sup>5</sup>

---

<sup>4</sup> Amendment of Section 64.702 of the Commission's Rules and Regulations (Computer III), CC Docket No. 85-229, Phase I, 104 FCC 2d 958 (1986) (Phase I Order), recon., 2 FCC Rcd 3035 (1987) (Phase I Reconsideration Order), further recon., 3 FCC Rcd 1150 (1988) (Phase II Reconsideration Order), further recon., 4 FCC Rcd 5927 (1989) (Phase I Second Further Reconsideration Order); (Phase I Order and Phase I Reconsideration Order vacated California v. FCC, 905 F.2d 1217 (9th Cir. 1990) (California I); Phase II, 2 FCC Rcd

proceedings. Specifically, the Commission directed the BOCs to file CEI plans for payphone service, detailing compliance with the Computer III enhanced services requirements, including unbundling and CEI parameters, accounting requirements, customer proprietary network information (CPNI) requirements as modified by Section 222 of the Act, network disclosure requirements, and installation, maintenance and quality nondiscrimination requirements--even though payphone operations are not enhanced services.

---

3072 (1987) (Computer III Phase II Order), recon., 3 FCC Rcd 1150 (1988) (Phase II Reconsideration Order, further recon., 4 FCC Rcd 5927 (1989) (Phase II Further Reconsideration Order); Phase II Order vacated California I, 905 F.2d 1217 (9th Cir. 1990); Computer III Remand Proceeding, 5 FCC Rcd 7719 (1990) (ONA Remand Order), recon., 7 FCC Rcd 909 (1992), pets. for review denied, California v. FCC 4 F.3d 1505 (9th Cir. 1993) (California II); Computer III Remand Proceedings: Bell Operating Company Safeguards and Tier I Local Exchange Company Safeguards, 6 FCC Rcd 7571 (1991) (BOC Safeguards Order), BOC Safeguards Order vacated in part and remanded, California v. FCC, 39 F.3d 919 (9th Cir. 1994) (California III), cert denied, 115 S. Ct. 1427 (1995). See also Bell Operating Companies' Joint Petition for Waiver of Computer II Rules, Memorandum Opinion and Order, 10 FCC Rcd 1724 (1995); Computer III Further Remand Proceedings: Bell Operating Company Provision of Enhanced Services, 10 FCC Rcd 8360 (1995).

<sup>5</sup> Filing and Review of Open Network Architecture Plans, 4 FCC Rcd 1 (1988) (BOC ONA Order), recon., 5 FCC Rcd 3084 (1990) (BOC ONA Reconsideration Order); 5 FCC Rcd 3103 (1990) (BOC ONA Amendment Order), erratum, 5 FCC Rcd 4045, pets. for review denied, California v. FCC, 4 F.3d 1505 (9th Cir. 1993), recon., 8 FCC Rcd 97 (1993) (BOC ONA Amendment Reconsideration Order); 6 FCC Rcd 7646, 7649-50 (1991) (BOC ONA Further Amendment Order); 8 FCC Rcd 2606 (1993) (BOC ONA Second Further Amendment Order), pet. for review denied, California v. FCC, 4 F.3d 1505 (9th Cir. 1993).

SWBT's CEI plan describes in detail the tariffed services which SWBT will offer to all payphone providers--the same services which SWBT's payphone operations will use. SWBT will offer "SmartCoin" service, in which payphone functions are provided from a SWBT central office. This is the service which SWBT payphone operations will primarily utilize and is generally employed with so-called "dumb sets," payphones which do not contain intelligence within the set itself.

SWBT will also offer a so-called "COPT line"<sup>6</sup> for use with payphones containing their own intelligence--"smart sets." Most IPPs purchase COPT lines for interconnection to SWBT's network, because most independent payphones contain all necessary functions within the set.

SWBT payphone operations will purchase tariffed services on the same terms and conditions as all other PSPs. SWBT payphone operations will receive no break in price, nor in service, nor in billing, nor in anything else.

Nevertheless, those opposing SWBT's entry into this new and fully competitive market would have the Commission deny SWBT's

---

<sup>6</sup> "COPT" is an acronym for "Customer-Owned Pay Telephone Service." This term is sometimes used interchangeably with "COCOT," which stands for "Customer-Owned, Coin-Operated Telephone."

right to receive interim compensation on April 15, 1997, by claiming that SWBT's CEI plan is "vague," "lacking in detail," and "missing important information." A CEI plan, however, is not a tariff. Nor is it a network disclosure document, nor a technical manual. A CEI plan merely demonstrates that a carrier will make underlying, regulated and equivalent basic services available to competing carriers and will comply with specific nonstructural safeguards. The Commission has long employed this standard to review CEI compliance.<sup>7</sup>

No one opposing SWBT's CEI plan has demonstrated that SWBT will not offer comparably efficient interconnection to all PSPs. Indeed, no one even makes this claim. Instead, SWBT's opponents complain about tariff cost support, about the selection process for the preferred IXC, about number assignments, about the collection of taxes, and a whole host of other irrelevant items. SWBT's plan complies with all CEI requirements. The Commission must approve the plan and allow SWBT to begin receiving compensation by April 15, 1997, the day SWBT removes all payphone subsidies.

---

<sup>7</sup> Bell Atlantic Telephone Companies Offer of Comparably Efficient Interconnection to Providers of Internet Access Services, 11 FCC Rcd. 6919, paras. 1 & 47 (1996).

## II. FEDERAL TARIFFING REQUIREMENTS

The First Report and Order required SWBT and other incumbent LECs to "provide coin service so competitive payphone providers can offer payphone services using either instrument-implemented 'smart payphones' or 'dumb' payphones that utilize central office coin services, or some combination of the two in a manner similar to the LECs."<sup>8</sup> The Commission required tariffs for lines to "smart" and "dumb" sets to be filed only with the states.<sup>9</sup> As its CEI plan demonstrates, SWBT has complied with this requirement.

Significantly, the Commission did not require unbundling of the "smart" and "dumb" service offerings.

Parties argue that several other network services and network elements should be unbundled and provided to payphone providers. We decline to impose this requirement on all LECs. We do not find that such unbundling is necessary to provide payphone services.<sup>10</sup>

The Commission pointed out that, pursuant to Computer III and ONA requirements, BOCS must unbundle additional network elements when requested by payphone providers--if the request meets the appropriate criteria. As its CEI plan makes clear, SWBT stands

---

<sup>8</sup> First Report and Order at para. 146.

<sup>9</sup> Reconsideration Order at para. 162.

<sup>10</sup> First Report and Order at para. 148.

ready to respond to bona fide requests for unbundling. Such unbundling is not required, however, to secure CEI plan approval nor to obtain compensation from IXCs.

The Reconsideration Order did require SWBT to provide "basic network services or unbundled features" to PSPs if SWBT provides such services to its own payphone operations.<sup>11</sup> The Reconsideration Order required these basic network services or unbundled features to be tariffed on both the state and federal levels.<sup>12</sup> Significantly, SWBT's CEI plan demonstrates that SWBT has, in fact, filed both state and federal tariffs for these "unbundled features." Page 9 of the plan states that SWBT will offer the following services apart from the basic "dumb" and "smart" lines, and that such services will be offered in both state and federal tariffs:

1. Selective Class of Call Screening (SCOCS)

Type I, Basic SCOCS

Type II, Collect Only--Inmate Calls

Type III, Coinless Only SCOCS;

2. Billed Number Screening;

---

<sup>11</sup> Reconsideration Order at para. 162.

<sup>12</sup> Id.

3. International Toll Blocking;
4. Answer Supervision--Line Side.

Billed Number Screening, SCOCs and International Toll Blocking are "fraud protection" services. Answer Supervision--Line Side is difficult to categorize; it provides a signal which allows accurate billing to begin and is utilized by SWBT's own payphone operations.

SWBT's CEI plan, in short, shows full compliance with the Commission's requirement to provide by both state and federal tariffs the "basic network services or unbundled features" discussed above. The Commission has required nothing else to be federally tariffed.

APCC is thus wrong in asserting that SWBT's CEI plan must demonstrate that federal tariffs have been filed for "coin line-specific features."<sup>13</sup> The Commission has not required federal tariffing of such services. In fact, APCC identifies no specific unbundled features which SWBT has failed to federally tariff. Significantly, no other party filing comments on SWBT's CEI plan has alleged that the plan fails to show federal tariffs for "coin line-specific features."

---

<sup>13</sup> Id. at 6.

APCC also complains about SWBT's interstate rates for SCOCs.<sup>14</sup> SWBT initially set its interstate SCOCs rates to be equivalent to its Kansas SCOCs rates--to discourage tariff arbitrage. Moreover, as pointed out above, APCC is more concerned with impeding SWBT's entry into the competitive payphone market than with the cost of screening services. Nevertheless, SWBT's ultimate goal is to receive CEI plan approval by April 15, 1997, and to begin receiving interim compensation. To avoid a peripheral dispute over SCOCs rates, SWBT has filed amended cost and rate support with the Commission, which will set a federal SCOCs rate of zero. This obviates APCC's lament.

### III. STATE TARIFFING REQUIREMENTS

As discussed above, the Commission has required SWBT to file state tariffs for lines associated with "smart" and "dumb" payphone sets. SWBT has done this. The Commission has also required SWBT to file federal and state tariffs for the "basic network services or unbundled features" described above. SWBT has done this as well. No commenter complains that SWBT's CEI plan fails to demonstrate compliance with the state tariffing requirements for

---

<sup>14</sup> Id. at 10.



"dumb" and "smart" sets.

Instead, APCC complains that SWBT has not made state filings which "separately tariff the features or functionalities used with the basic lines."<sup>15</sup> APCC is complaining that SWBT's state tariffs offer the various elements of "dumb" and "smart" lines as two packages, not as isolated, separate and individual elements. As the above discussion demonstrates, however, the Commission has explicitly rejected this suggestion. The Commission has not required SWBT to unbundle its state payphone tariff offerings, unless SWBT provides additional unbundled payphone services to its own payphone operations. As discussed above, SWBT does not provide such additional services on an unbundled basis to its payphone operations. If APCC members or any other customers wish additional state unbundling, the proper procedure is to submit a request to SWBT, not to object to SWBT's CEI plan. SWBT must respond to a request for additional unbundling through the 120-day CEI process, and SWBT is prepared to do so.

SWBT's CEI plan specifically identifies and describes the services which it will offer for "smart sets" and "dumb sets." SWBT's own payphone operation will subscribe to these service

---

<sup>15</sup> Id. at 7.

offerings, pay the same rates and receive the same quality of service. The Commission has required neither more nor less.

Moreover, the Commission intends to rely upon the states to ensure compliance with tariffing requirements: "We will rely on the states to ensure that the basic payphone line is tariffed by the LECs in accordance with the requirements of Section 276."<sup>16</sup>

Thus, complaints about SWBT's state tariff rates and costing methodologies are not relevant to a determination of whether SWBT's CEI plan should be approved. Rate and costing issues will be argued before and decided by the various state commissions, just as SWBT's federal tariff rates and costing methodologies will be decided by the FCC.

Nonetheless, to demonstrate its good faith, SWBT will respond to APCC's complaints about SWBT's state tariffs.

Since making its intrastate tariff filings, SWBT has discovered an error in the cost study used to determine the rate for Answer Supervision. Answer Supervision, when provided on non-coin lines (such as those used with smart sets) served by certain transmission facilities, requires the use of a coin plug-in card. SWBT included the entire cost of this card in the Answer

---

<sup>16</sup> Reconsideration Order at para. 163.

Supervision cost study. SWBT subsequently discovered that the costs for "POTS" plug-in cards are already included in access line costs. Therefore, only the incremental cost of the coin card over the POTS card should have been included. Correction of this error has decreased costs and rates. SWBT has already amended its tariff filings in Arkansas, Kansas, and Oklahoma to reduce the monthly rate for Answer Supervision to \$7.00.<sup>17</sup>

As a result of this correction, in Kansas (where the SCOCs rate is \$5.00 per month), the additional price of a COPT line equipped with SCOCs and Answer Supervision is equal to the additional price of a SmartCoin line with the same features.<sup>18</sup> The combination of SCOCs and Answer Supervision on a COPT line results in an additional monthly rate of \$12.00. The additional monthly rate for a SmartCoin line with these same features is also \$12.00.

APCC may still argue that, because SmartCoin includes payphone features not included in the basic COPT line, the COPT rate with Answer Supervision and SCOCs should be lower than the SmartCoin rate with the same features, not equal to it. The Kansas SmartCoin

---

<sup>17</sup> SWBT is making the same correction in its federal tariff filing, with the same result in rates. In Missouri and Texas, Answer Supervision monthly rates are \$5.00. The cost study revision will not change these.

<sup>18</sup> APCC at 8.

rate, APCC claims, thus discriminates against IPPs, which purchase COPT lines for their smart sets.

The problem with this conclusion is that its premise is flawed. The cost of Answer Supervision for a COPT line is greater than the cost of Answer Supervision for a SmartCoin line. As stated in SWBT's SmartCoin tariff, Answer Supervision "equivalent functionality" is included with the service. The provisioning of this functionality is very different than the provisioning of Answer Supervision on basic COPT access lines. The signaling that occurs between the terminating central office and the originating central office to indicate that a call has been answered is inherent in the protocol of central office switches. Because SmartCoin is, by definition, switch-based coin functionality, it uses this existing signaling (at minimal cost) to indicate that the call has been answered and billing should begin. The Answer Supervision feature provided with smart sets must, by necessity, deliver the signal from the central office to the customer's pay telephone set. The cost of providing this signal to the set for a COPT line is greater than the cost of the signaling protocol employed for SmartCoin.

Moreover, APCC's whining about Answer Supervision is a red herring. SWBT has offered Answer Supervision on COPT lines in

Texas since 1995 and has sold this feature on only four lines--out of nearly 38,000 total COPT lines. This is simply not an issue for APCC members.

As the above discussion shows, SWBT made a costing error in its state tariff filings and is moving to correct it. Otherwise, SWBT's filings are reasonable. Moreover, a proceeding to determine the sufficiency of SWBT's CEI plan is not the proper forum to debate state costing methodology. SWBT's opponents have ample opportunity before state commissions and the FCC to object to SWBT's state tariff filings. Thus, APCC's claim that "SWBT must be required to disclose the cost methodologies used to develop its COPT and coin line service charges"<sup>19</sup> is inappropriate in this proceeding and constitutes nothing more than a thinly veiled attempt to keep SWBT from collecting interim compensation on April 15, 1997.

#### IV. INMATE SERVICES

The Inmate Calling Service Providers Coalition (ICSPC) incorrectly asserts that SWBT's CEI plan "has not provided any specific information about its ICS [Inmate Calling Service] or the

---

<sup>19</sup> APCC at 11.

CEI applicable to ICS."<sup>20</sup> ICSPC then discusses the nature of ICS at great length and speculates that SWBT may be preparing to discriminate against other ICS providers in some vague and unspecified manner.

Section 276, however, specifically includes "the provision of inmate calling service" with the general definition of "payphone service." Moreover, the Reconsideration Order specifically states that CEI plan obligations apply to inmate payphones.<sup>21</sup> SWBT's CEI plan, therefore, expressly states that "the term 'payphone' service' as used in this Plan means the provision of basic telephone service for the provision of public pay telephones, the provision of inmate service in correctional institutions, and any ancillary services."<sup>22</sup>

SWBT payphone operations, in providing ICS, will purchase from SWBT the same tariffed services, at the same rates, as all other ICS providers. The ICSPC worries that "Southwestern Bell's CEI plan gives no indication of whether the call control and call processing functions that are central to the provision of ICS are

---

<sup>20</sup> ICSPC at 3.

<sup>21</sup> Reconsideration Order at para. 219.

<sup>22</sup> Footnote 7 to SWBT's CEI plan, filed Dec. 30, 1996.

considered by Southwestern Bell to be part of its ICSO or part of its regulated network offerings.<sup>23</sup> Apparently, the ICSPC is concerned that SWBT is going to provide such features through its network to its own payphone operations, but not offer such services to other independent providers. This fear is misplaced. SWBT's payphone operations do not use any network-based call control and call processing functions. Thus, SWBT will not offer such services to other providers, and SWBT's CEI plan so indicates. Call control and call processing functions are provided by hardware and software owned and operated exclusively by SWBT's payphone operations. This equipment is not housed in SWBT central offices but rather in space owned or leased solely by SWBT payphone operations. Thus, the ICSPC's concern over potential collocation issues is also misplaced.<sup>24</sup>

SWBT's ICS will make use of SWBT operator services, which will be purchased from SWBT's state tariffs in the same manner that any

---

<sup>23</sup> ICSPC at 6.

<sup>24</sup> Id. at 19. SWBT payphone operations currently do house a single, isolated piece of inmate payphone equipment in a Houston, Texas, central office. This piece of equipment is not connected in any way to the central office equipment. SWBT is removing this item and relocating it out of the central office. A very small amount of SWBT ICS traffic currently does use central office routing control to block all calls except 0- transmissions. SWBT is eliminating this practice.

other ICS provider may purchase them. This is in full compliance with Commission requirements. Likewise, any other SWBT services, such as fraud protection<sup>25</sup> or LIDB validation,<sup>26</sup> employed by SWBT's ICS operations will be purchased from the same SWBT tariffs as all other ICS providers may purchase from. This fully satisfies AT&T's demand that "SWBT should state explicitly that it will obtain those functionalities for its own inmate payphones at the same rates and under the same terms and conditions as are available to other payphone services providers."<sup>27</sup>

The ICSPC and AT&T are also concerned that SWBT's ICS operations may plan to write off "bad debt" in such a way that unpaid charges are subsidized by SWBT's general rate payers.<sup>28</sup> This will not be the case. All "bad debt" will be recorded solely in SWBT's payphone operations' accounts, which will be entirely responsible for the loss. The only funding to SWBT's payphone operations will come from payphone revenue. To the extent that some of that revenue remains uncollected, the loss will accrue solely to the payphone operations.

---

<sup>25</sup> Id. at 12-14.

<sup>26</sup> Id. at 15.

<sup>27</sup> AT&T at 3.

<sup>28</sup> ICSPC at 8-9; AT&T at 4.



## V. OPERATOR SERVICES

APCC asserts that SWBT's proposed tariffs would prevent a PSP from selecting the Operator Services Provider (OSP) of choice for intraLATA calls, as is required by Section 276(b)(E).<sup>29</sup> This is untrue. PSPs subscribing to SWBT's basic COPT service can already select their own operator service provider and intraLATA carrier through programming in the "smart payphone." Since almost all private payphones are "smart sets," selection of the OSP for intraLATA calls is a non-issue for APCC.

Before subscribers to SWBT's "dumb set" service--SmartCoin--can select the OSP for intraLATA traffic, however, intraLATA dialing parity must be implemented. SWBT payphone operations will be the primary subscriber for "dumb set" service, so the issue--to the extent it arises at all--applies primarily to SWBT. Without dialing parity, all intraLATA traffic is routed to the default carrier. Because of the enormous financial burden which dialing parity will impose, however, the Act does not require SWBT to implement intraLATA dialing parity for payphones sooner than for any other phones:

---

<sup>29</sup> APCC at 14-15.